

Message Text

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ORIGIN NEA-10

INFO OCT-01 ISO-00 EB-07 L-03 SS-15 AID-05 SP-02 NSC-05

INR-07 IGA-02 TRSE-00 CCO-00 SSO-00 NSCE-00 INRE-00

/057 R

DRAFTED BY NEA/EGY:GGBROWN:PM

APPROVED BY NEA:SSOBER

EB/OF:RMCMULLEN

L/C:TTFHUANG

D:DWOOD

S/S:CABORG

NE/ME:NSWEET

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O 280003Z APR 76 ZFF4

FM SECSTATE WASHDC

TO USDEL SECRETARY IMMEDIATE

C O N F I D E N T I A L STATE 102022 TOSEC 110229

FOR DEP SECY ROBINSON FROM ACTING ASST SECY SOBER

E.O. 11652: GDS

TAGS: EAID, EG

SUBJECT: ISSUES OTHER THAN PASSING THE HAT FOR YOUR DIS-
CUSSIONS IN CAIRO

1. YOU MAY WISH TO RAISE THESE ISSUES OR THE EGYPTIANS
MIGHT RAISE THEM WITH YOU.

2. FOREIGN INVESTMENT

BACKGROUND: AS YOU KNOW, THE EGYPTIAN GOVERNMENT HAS HAD
DIFFICULTY IN CLARIFYING A POLICY TOWARD PRIVATE INVEST-
MENT. YOU MAY WISH TO USE THE OPPORTUNITY OF YOUR VISIT
TO AGAIN URGE THE EGYPTIANS TO MOVE MORE QUICKLY IN
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ADAPTING A CONSTRUCTIVE POSITION TOWARD FOREIGN PRIVATE

INVESTMENT. YOU ALSO MAY WISH TO RAISE WITH THE EGYPTIANS YOUR RECENT DISCUSSIONS WITH SAUDI MINISTER OF INDUSTRY GHOSAIBI. IN THOSE DISCUSSIONS, GHOSAIBI SHOWED INTEREST IN HAVING AID FINANCE FEASIBILITY STUDIES WHICH MIGHT BE SUITABLE FOR SAUDI FINANCING.

TALKING POINTS:

-- DURING THE RECENT EXECUTIVE COUNCIL MEETINGS OF THE JOINT EGYPTIAN AMERICAN BUSINESS COUNCIL, I WAS AGAIN IM-

PRESSED BY THE ENTHUSIASM OF THE AMERICAN BUSINESS COMMUNITY FOR EGYPT. I HOPE EGYPT CAN MOVE QUICKLY ON SOME FOREIGN INVESTMENT PROJECTS AND CAPITALIZE ON THIS INTEREST BEFORE IT BEGINS TO DISAPPEAR.

-- I RECENTLY TALKED WITH THE SAUDI MINISTER OF INDUSTRY AND ELECTRICITY IN WASHINGTON. MR. GHOSAIBI NOTED SAUDI INTEREST IN EGYPT BUT FELT THAT EGYPT HAD FAILED TO FORMULATE ENOUGH PROJECTS FOR FOREIGN FINANCING.
. I HOPE YOU WOULD CONSIDER USING SOME OF OUR AID FUNDS TO IDENTIFY PROJECTS AND CARRY OUT FEASIBILITY STUDIES. WE WOULD BE PLEASED TO HAVE OUR AID FUNDS USED TO BUILD THE GROUNDWORK FOR OBTAINING OTHER FOREIGN FINANCING OF ECONOMICALLY VIABLE PROJECTS.

3. PL-480

BACKGROUND: AMBASSADOR GHORBAL HAS SOUGHT TO HAVE THE UNITED STATES RAISE THE TRANSITIONAL QUARTER ALLOCATION FOR WHEAT/WHEAT FLOUR ABOVE 250,000 METRIC TONS (WHICH IS A STRAIGHT LINE QUARTER OF THE FY-76 ALLOCATION). GHORBAL HAS ARGUED WITH YOU AND SECRETARY BUTZ THAT AN INCREASE IN THE TRANSITIONAL QUARTER WOULD BE A SIGNIFICANT SIGNAL OF INCREASED ECONOMIC CONCERN FOR EGYPT. GHORBAL HAS ALSO TALKED WITH USDA ABOUT SOME PL-480 RICE FOR EGYPT THIS YEAR. WE HAVE NOT GIVEN HIM ANY ENCOURAGEMENT THAT WE WILL BE ABLE TO ACT FAVORABLY ON EITHER REQUEST. ANY FURTHER INCREASE IN OUR ALLOCATION TO EGYPT
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IS UNLIKELY BECAUSE:

A. OUR TITLE I BUDGET IS NOW ALMOST FULLY COMMITTED WITH MANY POTENTIAL RECIPIENTS COMPETING FOR THE SMALL RESIDUAL.

B. EGYPT CANNOT ABSORB MORE WHEAT AND HAS HAD A GOOD RICE CROP. SHE IS EXPORTING SUBSTANTIAL QUANTITIES OF RICE.

EGYPT COULD TAKE SOME VEGETABLE OIL AND USDA IS GIVING CONSIDERATION TO A 25,000 METRIC TON (APPROX. DOLS 13 MILLION) PROGRAM. HOWEVER, THIS WOULD REQUIRE SHIFTING FUNDING FROM FINANCING OF OTHER TITLE I COMMODITIES TO VEGOIL, SOMETHING OTHER AGENCIES AND USDA IN THE END MIGHT NOT WANT TO DO.

C. US DOMESTIC PRESSURE TO MOVE RICE HAS DIMINISHED. WE HAVE JUST REACHED AGREEMENT IN PRINCIPLE WITH THE INDIAN GOVERNMENT FOR THE SALE OF 100,000 METRIC TONS OF TITLE I RICE. THIS PUTS US JUST OVER OUR TARGET LEVEL OF 850,000 TONS. WE EXPECT THAT ANY ADDITIONAL RICE WILL GO

TO INDONESIA, WHICH IS NOT A RICE EXPORTER.

TALKING POINTS (IF THE EGYPTIANS RAISE THE ISSUE):

-- WE HAVE CAREFULLY STUDIED EGYPT'S REQUEST FOR ADDITIONAL PL-480 ALLOCATIONS BUT I DO NOT THINK IT WILL BE POSSIBLE TO INCREASE ANYMORE OUR VERY SUBSTANTIAL PROGRAM.

4. APPROVAL/SIGNING OF DRAFT PRIVATE CLAIMS AGREEMENT

BACKGROUND: YOU WILL RECALL THAT, ON APRIL 6, YOU APPROVED AND REQUESTED AMBASSADOR EILTS TO TRANSMIT A LETTER FROM YOU TO PRIME MINISTER SALEM STATING THE USG'S VIEW ON THE IMPORTANCE AND URGENCY OF HAVING THE DRAFT PRIVATE CLAIMS AGREEMENT, WHICH WAS NEGOTIATED IN DECEMBER 1975, PROMPTLY APPROVED BY THE GOVERNMENT OF EGYPT.

AMBASSADOR EILTS DELIVERED YOUR LETTER TO PRIME MINISTER SALEM ON APRIL 24 AND REPORTED THAT PRIME MINISTER SALEM HAS GIVEN HIS APPROVAL TO HAVE THE DRAFT AGREEMENT CONFIDENTIAL

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SIGNED BY MINISTER OF ECONOMY SHAFEI AS SOON AS POSSIBLE. IN CONSULTATION WITH AMBASSADOR EILTS, AND IF APPROPRIATE, YOU MAY WISH TO RAISE THIS MATTER IN YOUR MEETING WITH PRIME MINISTER SALEM.

TALKING POINTS (IF DRAFT CLAIMS AGREEMENT HAS ALREADY BEEN INITIALED/SIGNED):

-- I WISH TO THANK YOU FOR YOUR FAVORABLE RESPONSE TO MY RECENT LETTER AND YOUR ASSISTANCE IN ARRANGING FOR THE SPEEDY INITIALING (OR SIGNING) OF THE PRIVATE CLAIMS AGREEMENT.

-- IT IS IMPORTANT THAT THE AGREEMENT NOW ENTER INTO FORCE NO LATER THAN JULY, AS IT PROVIDES FOR THE PAYMENT

OF THE FIRST INSTALLMENT OF COMPENSATION BY THAT DATE.

-- I CAN ASSURE YOU THAT THE ENTRY INTO FORCE OF THIS AGREEMENT WILL MAKE A FAVORABLE IMPRESSION UPON THE U.S. CONGRESS AND THE PUBLIC;

(ALTERNATIVELY, IF DRAFT CLAIMS AGREEMENT HAS NOT BEEN INITIALED/SIGNED)

-- I WOULD LIKE TO REFER TO MY RECENT LETTER TO YOU CONCERNING THE SETTLEMENT OF PRIVATE U.S. CLAIMS AGAINST EGYPT AND TO THANK YOU FOR YOUR FAVORABLE RESPONSE AND APPROVAL THAT IT BE SIGNED AS SOON AS POSSIBLE.

-- WE BELIEVE IT IS . . . IMPORTANT THAT THE CLAIMS AGREEMENT BE SIGNED AS QUICKLY AS POSSIBLE, AND ALSO THAT IT ENTER INTO FORCE BEFORE JULY, AS IT PROVIDES FOR THE PAYMENT OF THE FIRST INSTALLMENT OF COMPENSATION BY THAT DATE.

-- I CAN ASSURE YOU, MR. PRIME MINISTER, THAT THE ENTRY INTO FORCE OF THIS AGREEMENT WOULD MAKE A FAVORABLE IMPRESSION UPON THE U.S. CONGRESS AND THE PUBLIC. SISCO

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Disposition Date: 28 MAY 2004
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Disposition Reason:
Disposition Remarks:
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Margaret P. Grafeld
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To: SECRETARY
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